

PRESS RELEASE

School Land Board votes to release \$300 million to fund schools

Patterson warns lawmakers not to kill goose that lays the golden egg with future raids

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AUSTIN — The School Land Board voted today to release an additional \$300 million to public schools during its 2013 fiscal year after review of the Permanent School Fund's projected royalty income, cash flows, and investment capital requirements indicated the fund would not be hurt by lawmakers' demands for cash.

The \$300 million release approved today is in addition to the \$500 million previously approved for release by the board for public schools during the 2012-2013 fiscal biennium. The board voted to release the \$300 million in two installments of \$150 million each, with the first payment in February and the last in June.

Texas Land Commissioner Jerry Patterson, chairman of the board, cast the lone vote against the payment. He said the decision was frustrating because lawmakers passed a flawed budget last session that addressed short-term problems without providing a coherent long-term vision.

"We need to strive to do better," Patterson said. "Spending down our kid's trust fund to pay today's bills is a path I don't want to go down any further. Fortunately, the fund is healthy enough to protect Texas schools from one year of bad budgeting."

Patterson said he would oppose future legislative raids on the Permanent School Fund. "If we invested this \$300 million today, and earned a return of 8 percent a year on it, it would be worth \$3 billion in 30 years," Patterson said. Under the current operational guidelines of the Permanent School Fund's Bond Guarantee Program, up to \$9 billion of school district bonds could ultimately be guaranteed by that money, resulting in higher credit ratings and lower borrowing costs for school districts across the state.

Today's action runs contrary to the long-term vision held by the statesmen who founded the Permanent School Fund in 1876. "This kind of short-term thinking will kill the goose that lays the golden egg," Patterson said.

As chairman of the School Land Board, Patterson has overseen the diversification of the state's Permanent School Fund to include more real assets investments. Last year, these assets earned a return of more than 12 percent. Because of the strong returns on these investments, the School Land Board has released more than ever - nearly \$1.3 billion - to public schools since 2002.

The School Land Board oversees about 10 percent of the Permanent School Fund, Patterson said. But since 2003, that 10 percent of the pie has been responsible for

providing from one-sixth to one-third of the total dollars released annually from the Permanent School Fund to public schools.

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